

AMENDED IN ASSEMBLY OCTOBER 7, 2010

AMENDED IN ASSEMBLY MAY 10, 2010

AMENDED IN ASSEMBLY APRIL 12, 2010

AMENDED IN ASSEMBLY MARCH 17, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

Assembly Constitutional Amendment

No. 4

Introduced by Assembly Members ~~Feuer, John A. Pérez, and Bass~~
Gatto and Niello
(Coauthor: Senator ~~Steinberg~~ *Ashburn*)

December 3, 2008

Assembly Constitutional Amendment No. 4—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending ~~Sections 8 and 9 of Article II thereof, by amending Sections 8, 10, and 12 of Article IV thereof, by amending Section 3 of Article XIII A thereof, by adding Section 21 to Article XVI thereof, and by adding Section 3.5 to Article XVIII thereof, relating to state finance; Section 12 of Article IV thereof, and by amending Section 20 of, and adding Section 21 to, Article XVI thereof, relating to state finance.~~

LEGISLATIVE COUNSEL’S DIGEST

ACA 4, as amended, ~~Feuer Gatto~~. State finance ~~reform~~.

Existing provisions of the California Constitution require the Governor to submit to the Legislature, within the first 10 days of each calendar year, a proposed budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated state revenues. In addition, the Constitution prohibits the Legislature

from passing, and the Governor from signing, a Budget Bill that would appropriate from the General Fund a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the Budget Bill's passage, and the amount of any General Fund moneys transferred to a reserve account, exceeds estimated General Fund revenues for that fiscal year. The estimate of General Fund revenues is required to be set forth in the Budget Bill.

This measure would require the Governor, in his or her proposed budget, to identify estimated total state resources available to meet recommended state expenditures and, further, to identify the amount of those resources that are anticipated to be one-time resources. The measure would prohibit passage of a Budget Bill that appropriates an amount that, when combined with prior appropriations and transfers to the reserve account, exceeds the estimate of General Fund revenues, transfers, and balances available from the prior fiscal year. The measure would require the estimate of General Fund revenues, transfers, and balances to be set forth in the Budget Bill.

Existing provisions of the California Constitution establish the Budget Stabilization Account in the General Fund and currently require the Controller, no later than September 30 of each year, to transfer from the General Fund to the account a sum equal to 3% of the estimated amount of General Fund revenues for the current fiscal year. This transfer of moneys is not required, unless otherwise directed by the Legislature by statute, in any fiscal year to the extent that the resulting balance in the account would exceed 5% of the General Fund revenues estimate set forth in the Budget Bill for that fiscal year, as enacted, or \$8,000,000,000, whichever is greater. This transfer of moneys also may be suspended or reduced for a fiscal year as specified by an executive order issued by the Governor no later than June 1 of the preceding fiscal year. Of the moneys transferred to the account in each fiscal year, 50%, up to an aggregate amount of \$5,000,000,000 for all fiscal years, is deposited in the Deficit Recovery Bond Retirement Sinking Fund Subaccount and continuously appropriated to the Treasurer for the purpose of retiring state deficit recovery bonds. All other moneys transferred to the account in a fiscal year are not deposited in the sinking fund subaccount and may, by statute, be transferred back to the General Fund.

This measure would rename this account the Budget Stabilization Fund. This measure would also provide that the transfer of moneys from the General Fund to the Budget Stabilization Fund is not required

in any fiscal year to the extent that the resulting balance in the fund would exceed 10% of the General Fund revenues estimate set forth in the Budget Bill for that fiscal year, as enacted, and would delete the alternative \$8,000,000,000 limit on the fund. This measure would provide that, apart from a transfer made for the purpose of responding to an emergency declared by the Governor, as defined, or a loan to meet General Fund cash requirements which would be repaid within a fiscal year, the total amount that may be transferred from the Budget Stabilization Fund to the General Fund for any fiscal year shall not exceed the lesser of the shortfall amount for the current fiscal year, as defined, or 50% of the balance of the Budget Stabilization Fund, depending upon specified criteria.

In addition, this measure would create in the General Fund the Supplemental Budget Stabilization Account and would direct the Controller to transfer, on October 1 of each year beginning in 2013, from the Budget Stabilization Fund to the Supplemental Budget Stabilization Account a sum equal to 1.5% of the estimated amount of General Fund revenues for the current fiscal year, except that this transfer would not be made in a fiscal year for which the Governor issues an executive order to suspend or reduce the transfer of moneys from the General Fund to the Budget Stabilization Fund. The measure would permit appropriations to be made from the Supplemental Budget Stabilization Account only for capital outlay purposes or to retire bonded indebtedness of the state.

This measure would require the Director of Finance, on or before May 29 of each year beginning in 2014, to report to the Legislature and the Governor (1) an estimate of the amount of General Fund revenues, transfers, and balances available from the prior fiscal year for the current fiscal year, (2) the revenue forecast amount, as defined, for the current fiscal year, and (3) an estimate of specified General Fund obligations for the public schools. The measure would provide that if, pursuant to a formula based on those figures, there are unanticipated revenues in the current fiscal year, beginning in the 2013–14 fiscal year, those revenues may be used only for specified purposes, and in a specified order of priority.

~~(1) Under the existing California Constitution, the initiative is the power of the electors to propose statutes and amendments to the state constitution and to adopt or reject them.~~

~~This measure would require that an initiative measure that would result in a net increase in state or local government costs, other than~~

costs attributable to the issuance, sale, or repayment of bonds authorized by the measure, or a net decrease in state revenue, which net increase or net decrease exceeds \$25,000,000 annually, as adjusted for inflation, as jointly determined by the Legislative Analyst and Director of Finance, may not be submitted to the electors or have any effect unless and until the Legislative Analyst and the Director of Finance jointly determine that the initiative measure provides for additional revenues in an amount that meets or exceeds the net increase in costs.

The California Constitution generally vests the legislative power of the state in the California State Legislature.

This measure would make void a statute that would result either in a net increase in qualified state costs or a net decrease in state revenue in excess of \$25,000,000 annually, as defined by statute and as adjusted for inflation, unless the statute also contains provisions that would result in state program reductions or additional state revenue as defined by statute in an amount that is equal to or greater than the net increase in qualified state costs or net decrease in state revenue subject to exceptions for the Budget Act, and statutes required to fund increased costs for education as required by the Constitution.

The California Constitution provides that the Legislature may propose to the electors both amendments and revisions to the California Constitution, and may enact statutes by passing bills.

This measure would prohibit a constitutional amendment or revision from being submitted to the electors or having any effect if that measure would create a new state program or agency or expand the scope of an existing state program or agency and cause either a net increase in state costs or a net decrease in state revenues in excess of \$25,000,000 annually, as adjusted for inflation, unless the measure identifies additional revenue in an amount that is equal to or greater than the increased costs or decrease in revenue.

(2) Existing provisions of the California Constitution provide that if, following the enactment of a Budget Bill, the Governor determines that, for the fiscal year addressed by the Budget Bill, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the Budget Bill was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, the Governor may issue a proclamation declaring a fiscal emergency and cause the Legislature to assemble in special session. If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency by the 45th day following

the issuance of the proclamation, the Legislature may not act on any other bill or adjourn for joint recess, until a bill or bills addressing the fiscal emergency has been passed and sent to the Governor.

This measure additionally would provide that, if the Legislature has not passed and sent to the Governor a bill or bills addressing a fiscal emergency by the 45th day following the proclamation declaring the emergency, the Governor may, by executive order, reduce or eliminate any unexpended appropriation in the Budget Act for the fiscal year that is not required by the California Constitution or federal law, in an amount not exceeding the amount of the budget discrepancy identified by the Governor. The measure would authorize the Legislature to override those actions of the Governor by a $\frac{2}{3}$ vote of the membership of each house.

(3) The California Constitution requires the Governor to submit to the Legislature by January 10 of each year a budget for the ensuing fiscal year, accompanied by a Budget Bill itemizing recommended expenditures. The Legislature is required to pass the Budget Bill by June 15. The Constitution requires that specified bills, including bills making a change in state taxes for the purpose of raising revenue, bills containing an urgency clause, and bills, including the Budget Bill, that make certain appropriations from the General Fund, be passed in each house of the Legislature by a $\frac{2}{3}$ vote.

This measure would require the Governor to submit to the Legislature by January 10 of each year a budget for the ensuing fiscal year, known as the budget year, and for the succeeding fiscal year. The measure would require the budget to contain specified information, including performance measurement standards for state agencies and programs, and a projection for anticipated state revenues. The Governor would be required to include in the budget an estimate of the amount of state funds available for the proposed expenditures, and to include revenue and expenditure projections for the budget year and the succeeding fiscal year. If the Governor proposes to create a new state program or agency, or to expand the scope of an existing state program or agency, which would increase state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax the effect of which would reduce state revenue in the budget year or the succeeding fiscal year, the measure would require the Governor to identify state program reductions or additional revenues that are equal to or greater than the increase in costs or decrease in revenue. Under the measure, the Governor additionally would be required to provide the Legislature,

~~on specified dates set by statute, with updated projections of state revenue and expenditures for the budget and succeeding fiscal years.~~

~~This measure would require that each house of the Legislature, on or before May 1 of each year, refer the Budget Bill and bills implementing the Budget Bill to a joint committee of the Legislature, which must report recommendations to each house by June 20. This measure would require the Legislature, by June 25, to pass and present to the Governor the Budget Bill. The measure also would provide that, if a Budget Bill is not passed and presented to the Governor by June 25, Members of the Legislature would forfeit any salary and travel and living expenses from that date until the date the Budget Bill is passed and presented to the Governor.~~

~~The measure also would limit the use of unanticipated revenues, as defined, pursuant to annual determinations made by the Director of Finance, for specified purposes.~~

~~Appropriations in a Budget Bill, as defined, would be exempted from the $\frac{2}{3}$ -vote requirement that applies to appropriations from the General Fund. A Budget Bill, and any budget implementation bills, would go into effect immediately upon their enactment.~~

~~Under the existing California Constitution, the referendum is the power of the electors to approve or reject statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the state.~~

~~This measure would expressly include statutes enacting the Budget Bill among those exceptions to the power of referendum. Additionally, with respect to a referendum measure pertaining to a statute enacted by a budget implementation bill, as defined, the operation of the statute would be stayed on the date of the submission of the referendum petition to the Attorney General, subject to compliance with existing referendum procedures.~~

~~(4) The existing California Constitution requires the approval of $\frac{2}{3}$ of the membership of each house of the Legislature to pass a bill that would make a change in state taxes for the purposes of increasing revenues derived from those taxes.~~

~~This measure would further require that a bill imposing a fee that would fund a specific program, service, or activity previously funded by a tax, which was either repealed or reduced in the same fiscal year or the immediately preceding fiscal year, be passed by a $\frac{2}{3}$ -vote of both legislative houses.~~

~~(5) This measure provides that it would become operative on January 1, 2011.~~

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *RESOLVED BY THE ASSEMBLY, THE SENATE*
2 *CONCURRING, That the Legislature of the State of California at*
3 *its 2009–10 Regular Session commencing on the first day of*
4 *December 2008, two-thirds of the membership of each house*
5 *concurring, hereby proposes to the people of the State of California*
6 *that the Constitution of the State be amended as follows:*

7 First—That Section 12 of Article IV thereof is amended to read:

8 SEC. 12. (a) Within the first 10 days of each calendar year,
9 the Governor shall submit to the Legislature, with an explanatory
10 message, a budget for the ensuing fiscal year containing itemized
11 statements for recommended state expenditures and estimated *total*
12 state ~~revenues~~ *resources available to meet those expenditures*. If
13 recommended expenditures exceed estimated ~~revenues~~ *resources*,
14 the Governor shall recommend the sources from which the
15 additional ~~revenues~~ *resources* should be provided. *The itemized*
16 *statement of estimated total state resources available to meet*
17 *recommended expenditures submitted pursuant to this subdivision*
18 *shall identify the amount, if any, of those resources that are*
19 *anticipated to be one-time resources.*

20 (b) The Governor and the Governor-elect may require a state
21 agency, officer, or employee to furnish whatever information is
22 deemed necessary to prepare the budget.

23 (c) (1) The budget shall be accompanied by a budget bill
24 itemizing recommended expenditures.

25 (2) The budget bill shall be introduced immediately in each
26 house by the persons chairing the committees that consider the
27 budget.

28 (3) The Legislature shall pass the budget bill by midnight on
29 June 15 of each year.

30 (4) Until the budget bill has been enacted, the Legislature shall
31 not send to the Governor for consideration any bill appropriating
32 funds for expenditure during the fiscal year for which the budget
33 bill is to be enacted, except emergency bills recommended by the
34 Governor or appropriations for the salaries and expenses of the
35 Legislature.

(d) No bill except the budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose. Appropriations from the General Fund of the State, except appropriations for the public schools, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.

(f) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature may not send to the Governor for consideration, nor may the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill’s passage, and the amount of any General Fund moneys transferred to the Budget Stabilization ~~Account~~ *Fund* for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues, *transfers, and balances available from the prior fiscal year* for that fiscal year estimated as of the date of the budget bill’s passage. That estimate of General Fund revenues, *transfers, and balances* shall be set forth in the budget bill passed by the Legislature.

Second—That Section 12 of Article IV thereof, as amended by Proposition 25 at the November 2, 2010, statewide general election, is amended to read:

SEC. 12. (a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated *total state-revenues resources available to meet those expenditures*. If recommended expenditures exceed estimated ~~revenues resources~~, the Governor shall recommend the sources from which the additional ~~revenues resources~~ should be provided. *The itemized statement of estimated total state resources available to meet recommended expenditures submitted pursuant to this subdivision shall identify the amount, if any, of those resources that are anticipated to be one-time resources.*

1 (b) The Governor and the Governor-elect may require a state
2 agency, officer, or employee to furnish whatever information is
3 deemed necessary to prepare the budget.

4 (c) (1) The budget shall be accompanied by a budget bill
5 itemizing recommended expenditures.

6 (2) The budget bill shall be introduced immediately in each
7 house by the persons chairing the committees that consider the
8 budget.

9 (3) The Legislature shall pass the budget bill by midnight on
10 June 15 of each year.

11 (4) Until the budget bill has been enacted, the Legislature shall
12 not send to the Governor for consideration any bill appropriating
13 funds for expenditure during the fiscal year for which the budget
14 bill is to be enacted, except emergency bills recommended by the
15 Governor or appropriations for the salaries and expenses of the
16 Legislature.

17 (d) No bill except the budget bill may contain more than one
18 item of appropriation, and that for one certain, expressed purpose.
19 Appropriations from the General Fund of the State, except
20 appropriations for the public schools and appropriations in the
21 budget bill and in other bills providing for appropriations related
22 to the budget bill, are void unless passed in each house by rollcall
23 vote entered in the journal, two-thirds of the membership
24 concurring.

25 (e) (1) Notwithstanding any other provision of law or of this
26 Constitution, the budget bill and other bills providing for
27 appropriations related to the budget bill may be passed in each
28 house by rollcall vote entered in the journal, a majority of the
29 membership concurring, to take effect immediately upon being
30 signed by the Governor or upon a date specified in the legislation.
31 Nothing in this subdivision shall affect the vote requirement for
32 appropriations for the public schools contained in subdivision (d)
33 of this section and in subdivision (b) of Section 8 of this article.

34 (2) For purposes of this section, “other bills providing for
35 appropriations related to the budget bill” shall consist only of bills
36 identified as related to the budget in the budget bill passed by the
37 Legislature.

38 (f) The Legislature may control the submission, approval, and
39 enforcement of budgets and the filing of claims for all state
40 agencies.

(g) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature may not send to the Governor for consideration, nor may the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill’s passage, and the amount of any General Fund moneys transferred to the Budget Stabilization ~~Account~~ *Fund* for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues, *transfers, and balances available from the prior fiscal year* for that fiscal year estimated as of the date of the budget bill’s passage. That estimate of General Fund revenues, *transfers, and balances* shall be set forth in the budget bill passed by the Legislature.

(h) Notwithstanding any other provision of law or of this Constitution, including subdivision (c) of this section, Section 4 of this article, and Sections 4 and 8 of Article III, in any year in which the budget bill is not passed by the Legislature by midnight on June 15, there shall be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for Members of the Legislature during any regular or special session for the period from midnight on June 15 until the day that the budget bill is presented to the Governor. No salary or reimbursement for travel or living expenses forfeited pursuant to this subdivision shall be paid retroactively.

Third—That Section 20 of Article XVI thereof is amended to read:

SEC. 20. (a) The *Budget Stabilization Fund and the Supplemental Budget Stabilization Account* ~~is~~ *are* hereby created in the General Fund.

(b) In each fiscal year as specified in paragraphs (1) to (3), inclusive, the Controller shall transfer from the General Fund to the Budget Stabilization ~~Account~~ *Fund* the following amounts:

(1) No later than September 30, 2006, a sum equal to 1 percent of the estimated amount of General Fund revenues for the 2006–07 fiscal year.

(2) No later than September 30, 2007, a sum equal to 2 percent of the estimated amount of General Fund revenues for the 2007–08 fiscal year.

(3) No later than September 30, 2008, and annually thereafter, through 2012, a sum equal to 3 percent of the estimated amount of General Fund revenues for the current fiscal year.

(4) On September 23, 2013, and on September 23 annually thereafter, a sum equal to 3 percent of the estimated amount of General Fund revenues for the current fiscal year.

(c) The transfer of moneys shall not be required by subdivision (b) in any fiscal year to the extent that the resulting balance in the ~~account~~ *Budget Stabilization Fund* would exceed ~~5~~ 10 percent of the General Fund revenues estimate set forth in the budget bill for that fiscal year, as enacted, ~~or eight billion dollars (\$8,000,000,000), whichever is greater.~~ The Legislature may, by statute, direct the Controller, for one or more fiscal years, to transfer into the ~~account~~ *Budget Stabilization Fund* amounts in excess of the levels prescribed by this subdivision.

(d) Subject to any restriction imposed by this section, funds transferred to the *Budget Stabilization Fund or the Supplemental Budget Stabilization Account* shall be deemed to be General Fund revenues for all purposes of this Constitution.

(e) The transfer of moneys from the General Fund to the Budget Stabilization ~~Account~~ *Fund* may be suspended or reduced for a fiscal year as specified by an executive order issued by the Governor no later than ~~June 1 of the preceding fiscal year~~ the date of the transfer set forth in subdivision (b). For a fiscal year commencing on or after July 1, 2013, this subdivision shall be operative only if a transfer of moneys from the Budget Stabilization Fund to the General Fund is authorized pursuant to paragraph (1) of subdivision (g).

(f) (1) Of the moneys transferred to the ~~account~~ *Budget Stabilization Fund* in each fiscal year, 50 percent, up to the aggregate amount of five billion dollars (\$5,000,000,000) for all fiscal years, shall be deposited in the Deficit Recovery Bond Retirement Sinking Fund Subaccount, which is hereby created in the ~~account~~ *Budget Stabilization Fund* for the purpose of retiring deficit recovery bonds authorized and issued as described in Section 1.3, in addition to any other payments provided for by law for the purpose of retiring those bonds. The moneys in the sinking fund subaccount are continuously appropriated to the Treasurer to be expended for that purpose in the amounts, at the times, and in the manner deemed appropriate by the Treasurer. Any funds

1 remaining in the sinking fund subaccount after all of the deficit
2 recovery bonds are retired shall be transferred to the ~~account~~
3 *Budget Stabilization Fund*, and may be transferred to the General
4 Fund pursuant to paragraph (2).

5 (2) All other funds transferred to the ~~account~~ *Budget*
6 *Stabilization Fund* in a fiscal year shall not be deposited in the
7 sinking fund subaccount and may, ~~by statute~~, be transferred to the
8 General Fund *by statute pursuant to subdivision (g) or (h)*.

9 (g) (1) *Subject to paragraph (2), the total amount that may be*
10 *transferred from the Budget Stabilization Fund to the General*
11 *Fund pursuant to this subdivision for any fiscal year shall not*
12 *exceed the lesser of the following:*

13 (A) *The shortfall amount for the current fiscal year.*

14 (B) *Fifty percent of the balance of the Budget Stabilization Fund.*

15 (2) *If a transfer was made pursuant to this subdivision in both*
16 *the prior fiscal year and the fiscal year immediately preceding*
17 *that year, the total amount that may be transferred from the Budget*
18 *Stabilization Fund to the General Fund pursuant to this subdivision*
19 *for the current fiscal year shall not exceed the shortfall amount*
20 *for the current fiscal year.*

21 (3) *For purposes of this subdivision, the “shortfall amount for*
22 *the current fiscal year” is the amount derived by subtracting the*
23 *General Fund revenues, transfers, and balances available from*
24 *the prior fiscal year for that fiscal year from the expenditure*
25 *forecast amount for the current fiscal year.*

26 (4) *For purposes of this subdivision, “General Fund revenues,*
27 *transfers, and balances available from the prior fiscal year for*
28 *that fiscal year” does not include revenues transferred from the*
29 *General Fund to the Budget Stabilization Fund pursuant to*
30 *subdivision (b) for that fiscal year.*

31 (5) *For purposes of this subdivision, Section 21, and Section*
32 *12 of Article IV, “balances available from the prior fiscal year for*
33 *that fiscal year” means the funds in the Special Fund for Economic*
34 *Uncertainties, or a successor fund, as of June 30 of the prior fiscal*
35 *year. “The prior fiscal year” means the immediately preceding*
36 *fiscal year.*

37 (6) *For purposes of this subdivision and Section 21, the*
38 *“expenditure forecast amount” for the current fiscal year is the*
39 *total General Fund expenditures for the prior fiscal year adjusted*
40 *for the change in population of the State, as defined in Section 8*

1 of Article XIII B, and the change in the cost of living for the State,
2 as measured by the California Consumer Price Index, between the
3 prior fiscal year and the current fiscal year.

4 (7) For purposes of this subdivision, “total General Fund
5 expenditures for the prior fiscal year” does not include the
6 expenditure of funds transferred pursuant to subdivision (h), or
7 the expenditure of unanticipated revenues pursuant to paragraph
8 (3) or (4) of subdivision (c) of Section 21.

9 (h) Any funds necessary for the purpose of responding to an
10 emergency declared by the Governor may be transferred from the
11 Budget Stabilization Fund to the General Fund by statute. For
12 purposes of this subdivision, “emergency” has the same meaning
13 as set forth in paragraph (2) of subdivision (c) of Section 3 of
14 Article XIII B.

15 (i) In addition to any transfer authorized by this section, funds
16 in the Budget Stabilization Fund or the Supplemental Budget
17 Stabilization Account may be loaned to meet General Fund cash
18 requirements on the condition that the funds are repaid within the
19 same fiscal year in which the loan is made.

20 (j) (1) Except as provided in paragraph (3), on October 1, 2013,
21 and on October 1 annually thereafter, the Controller shall transfer
22 from the Budget Stabilization Fund to the Supplemental Budget
23 Stabilization Account a sum equal to 1.5 percent of the estimated
24 amount of General Fund revenues for the current fiscal year.

25 (2) Funds in the Supplemental Budget Stabilization Account
26 may be appropriated only for the purposes set forth in
27 subparagraphs (B) and (C) of paragraph (4) of subdivision (c) of
28 Section 21.

29 (3) Paragraph (1) shall not be operative in a fiscal year for
30 which the Governor issues an executive order pursuant to
31 subdivision (e) to suspend or reduce the transfer of moneys from
32 the General Fund to the Budget Stabilization Fund.

33 Fourth—That Section 21 is added to Article XVI thereof, to
34 read:

35 SEC. 21. (a) On or before May 29, 2014, and on or before
36 May 29 of each year thereafter, the Director of Finance shall do
37 all of the following, reporting the result in each case to the
38 Legislature and the Governor:

1 (1) Separately estimate General Fund revenues, transfers, and
2 balances available from the prior fiscal year for the current fiscal
3 year.

4 (2) Determine the revenue forecast amount for the current fiscal
5 year in the manner set forth in subdivision (d).

6 (3) Estimate the amount, as of that date, of any General Fund
7 obligations arising under Section 8 for the current fiscal year,
8 including any maintenance factor allocation for the current fiscal
9 year required pursuant to subdivision (e) of Section 8, that are
10 attributable to unanticipated revenues in the current fiscal year.

11 (b) (1) Except as provided in paragraph (2), “unanticipated
12 revenues” for a fiscal year, for purposes of this section, shall be
13 the lesser of the following:

14 (A) Estimated General Fund revenues for the current fiscal year
15 reported pursuant to paragraph (1) of subdivision (a) minus the
16 revenue forecast amount for the current fiscal year.

17 (B) Estimated General Fund revenues, transfers, and balances
18 available from the prior fiscal year for the current fiscal year
19 reported pursuant to paragraph (1) of subdivision (a) minus the
20 expenditure forecast amount for the current fiscal year determined
21 pursuant to paragraph (6) of subdivision (g) of Section 20.

22 (2) If the amount determined pursuant to paragraph (1) is less
23 than zero, the amount of unanticipated revenues shall be zero.

24 (c) Unanticipated revenues, as determined pursuant to this
25 section, may be used only as follows:

26 (1) Unanticipated revenues shall be appropriated to satisfy any
27 General Fund obligations arising under Section 8 for the current
28 fiscal year, as estimated pursuant to paragraph (3) of subdivision
29 (a).

30 (2) Any unanticipated revenues that remain after deducting, in
31 accordance with paragraph (1), the amount of the estimate required
32 by paragraph (3) of subdivision (a) shall be transferred by the
33 Controller no later than June 27 of the current fiscal year to the
34 Budget Stabilization Fund, not exceeding the amount needed to
35 increase the balance in the fund to an amount equal to 10 percent
36 of the General Fund revenues estimate set forth in the budget bill
37 for that fiscal year, as enacted. Notwithstanding any other provision
38 of this Constitution:

39 (A) If the Director of Finance determines at any time that the
40 total amount of General Fund obligations arising under Section 8

1 for a fiscal year, including any maintenance factor allocation for
2 that fiscal year required pursuant to subdivision (e) of Section 8,
3 exceeds the total amount of those General Fund obligations as
4 calculated for that fiscal year for purposes of the estimate required
5 by paragraph (3) of subdivision (a), he or she shall so report to the
6 Legislature, the Governor, and the Controller. The Controller shall
7 thereupon transfer funds in the amount of that difference from the
8 Budget Stabilization Fund to the General Fund, and the funds so
9 transferred shall be appropriated only for purposes of funding the
10 additional amount of General Fund obligations under Section 8
11 determined pursuant to this paragraph.

12 (B) If the Director of Finance determines at any time that the
13 total amount of General Fund obligations arising under Section 8
14 for a fiscal year, including any maintenance factor allocation for
15 that fiscal year required pursuant to subdivision (e) of Section 8,
16 is less than the total amount of those General Fund obligations as
17 calculated for that fiscal year for purposes of the estimate required
18 by paragraph (3) of subdivision (a), he or she shall so report to the
19 Legislature, the Governor, and the Controller. The Controller shall
20 thereupon transfer funds in the amount of that difference from the
21 General Fund to the Budget Stabilization Fund, not exceeding the
22 amount needed to increase the balance in the latter fund to an
23 amount equal to 10 percent of the estimate of General Fund
24 revenues as set forth in the enacted budget bill for that fiscal year.

25 (3) Any unanticipated revenues remaining after any
26 appropriations and transfers described in paragraphs (1) and (2)
27 shall be appropriated to retire outstanding budgetary obligations.
28 For purposes of this paragraph, “budgetary obligations” means
29 any of the following:

30 (A) Unfunded General Fund obligations pursuant to Section 8
31 for one or more prior fiscal years.

32 (B) Any repayment obligations created by the suspension of
33 subparagraph (A) of paragraph (1) of subdivision (a) of Section
34 25.5 of Article XIII.

35 (C) Any repayment obligations created by the suspension of
36 subdivision (a) of Section 1 of Article XIX B.

37 (D) Bonded indebtedness authorized pursuant to Section 1.3.

38 (4) Any unanticipated revenues remaining after any
39 appropriations and transfers described in paragraphs (1), (2), and

(3) are made to retire all outstanding budgetary obligations shall be used for one or more of the following purposes:

(A) Transfer by statute to the Budget Stabilization Fund.

(B) Appropriation for one-time infrastructure or other capital outlay purposes.

(C) Appropriation to retire, redeem, or defease outstanding general obligation or other bonded indebtedness of the State.

(D) Return to taxpayers within the current or immediately following fiscal year by a one-time revision of tax rates, or by rebates.

(E) Appropriation for unfunded liabilities for vested nonpension benefits for state annuitants.

(d) For the 2013–14 fiscal year, and for each fiscal year thereafter, the revenue forecast amount shall be determined as follows:

(1) The General Fund revenues for the current fiscal year shall be forecast by extrapolating from the trend line derived by a linear regression of General Fund revenues as a function of fiscal year for the period of the 20 preceding fiscal years. For purposes of this paragraph, General Fund revenues shall exclude both of the following:

(A) The General Fund revenue effect of a change in state taxes that affects General Fund revenues for less than the entire period of the 20 preceding fiscal years.

(B) Any proceeds of bonds authorized by subdivision (a) of Section 1.3.

(2) The amount forecast pursuant to paragraph (1) shall be increased or decreased, as applicable, to reflect the net current fiscal year General Fund revenue effect of a change in state taxes for which General Fund revenue effects were excluded pursuant to subparagraph (A) of paragraph (1).

Fifth—That if Proposition 25 is not approved by the voters at the November 2, 2010, statewide general election, the amendments to Section 12 of Article IV of the California Constitution proposed by the first section of this measure, and not the amendments to Section 12 of Article IV proposed by the second section of this measure, shall be submitted to the electors by the Secretary of State. If Proposition 25 is approved by the voters at the November 2, 2010, statewide general election, the amendments to Section 12 of Article IV of the California Constitution proposed by the second

1 section of this measure, and not the amendments to Section 12 of
2 Article IV proposed by the first section of this measure, shall be
3 submitted to the electors by the Secretary of State.

4 ~~Resolved by the Assembly, the Senate concurring, That the~~
5 ~~Legislature of the State of California at its 2009–10 Regular~~
6 ~~Session commencing on the first day of December 2008, two-thirds~~
7 ~~of the membership of each house concurring, hereby proposes to~~
8 ~~the people of the State of California that the Constitution of the~~
9 ~~State be amended as follows:~~

10 First—The People of the State of California find and declare all
11 of the following:

12 (a) ~~Throughout its history, California has led the way in~~
13 ~~technology, education, and quality of life. California thrives~~
14 ~~because its people value innovation, diversity, and creativity in~~
15 ~~how they work, think, and live.~~

16 (b) ~~California’s future as a world leader depends on continuing~~
17 ~~to improve public services that are vital to its people: outstanding~~
18 ~~public schools; reliable police, fire, and emergency services;~~
19 ~~affordable and available healthcare; and modern infrastructure.~~

20 (c) ~~This task is not the job of any one political party or ideology.~~
21 ~~It is the shared responsibility of every Californian. In particular,~~
22 ~~California’s elected leaders have an obligation to continually~~
23 ~~evaluate the effectiveness of these services and to strive to deliver~~
24 ~~the best possible results while minimizing waste, fraud, and abuse~~
25 ~~of taxpayer dollars.~~

26 (d) ~~The adoption of a state budget should play a key role in~~
27 ~~setting priorities, making choices about how tax dollars are spent,~~
28 ~~and ensuring that the people and their elected leaders understand~~
29 ~~the objectives and the consequences of budget decisions.~~

30 (e) ~~In recent years, however, this process has become bogged~~
31 ~~down by political bickering and special interests seeking undue~~
32 ~~influence.~~

33 (f) ~~California needs to change the state budget process to give~~
34 ~~policymakers the tools needed to restore and maintain public trust,~~
35 ~~and to hold them accountable by requiring them to forfeit their~~
36 ~~pay when they fail to approve a budget on time.~~

37 (g) ~~The changes to the state budget process proposed by this~~
38 ~~measure will ensure the long-term fiscal health of California by~~
39 ~~requiring the Governor and the Legislature to use the best practices~~

1 of other states and successful businesses to improve results and
2 create accountability as follows:

3 (1) ~~Planning ahead: The state will be guided by plans that~~
4 ~~consider long-term costs and revenue forecasts so that~~
5 ~~decisionmakers and the public understand the future implications~~
6 ~~of today's fiscal choices.~~

7 (2) ~~Focusing on priorities and results: Budget decisions will be~~
8 ~~guided by what programs are trying to achieve and changes needed~~
9 ~~to reach specific goals, including changes to strategy, management,~~
10 ~~and resources.~~

11 (3) ~~Creating a culture of accountability: Lawmakers will spend~~
12 ~~more time reviewing what the public is getting for its money and~~
13 ~~making changes to policies and programs to improve results.~~

14 (4) ~~Ending partisan budget gridlock: A simple majority vote to~~
15 ~~pass the budget—while preserving the two-thirds vote to raise~~
16 ~~taxes and ensuring that higher fees are not used to supplant tax~~
17 ~~revenue—will both prevent costly delays in enacting a budget and~~
18 ~~increase accountability for budget decisions.~~

19 (5) ~~Managing volatile revenue: Temporary spikes in revenue~~
20 ~~cannot be relied upon to expand basic services but instead must~~
21 ~~be used, after meeting the minimum funding guarantee for~~
22 ~~education, for one-time purposes, such as paying down debt or~~
23 ~~saving for periods of declining revenue.~~

24 (6) ~~Paying our own way: In hard economic times, it is incumbent~~
25 ~~upon the people of California to make sure that the state has the~~
26 ~~money to pay for new programs before committing to them. Under~~
27 ~~this measure, major new and expanded programs will be financed~~
28 ~~through efficiencies—dollars redirected from lower priorities or~~
29 ~~new revenue. Policymakers will be required to link a policy choice~~
30 ~~over a new program or tax cut with the decision about how to pay~~
31 ~~for it.~~

32 ~~Second—That Section 8 of Article II thereof is amended to read:~~

33 ~~SEC. 8.—(a) The initiative is the power of the electors to~~
34 ~~propose statutes and amendments to the Constitution and to adopt~~
35 ~~or reject them.~~

36 (b) ~~An initiative measure may be proposed by presenting to the~~
37 ~~Secretary of State a petition that sets forth the text of the proposed~~
38 ~~statute or amendment to the Constitution and is certified to have~~
39 ~~been signed by electors equal in number to 5 percent in the case~~
40 ~~of a statute, and 8 percent in the case of an amendment to the~~

1 Constitution, of the votes for all candidates for Governor at the
2 last gubernatorial election.

3 (e) The Secretary of State shall then submit the measure at the
4 next general election held at least 131 days after it qualifies or at
5 any special statewide election held prior to that general election.
6 The Governor may call a special statewide election for the measure.

7 (d) An initiative measure embracing more than one subject may
8 not be submitted to the electors or have any effect.

9 (e) An initiative measure may not include or exclude any
10 political subdivision of the State from the application or effect of
11 its provisions based upon approval or disapproval of the initiative
12 measure, or based upon the casting of a specified percentage of
13 votes in favor of the measure, by the electors of that political
14 subdivision.

15 (f) An initiative measure may not contain alternative or
16 cumulative provisions wherein one or more of those provisions
17 would become law depending upon the casting of a specified
18 percentage of votes for or against the measure.

19 (g) An initiative measure that would result in a net increase in
20 state or local government costs, other than costs attributable to the
21 issuance, sale, or repayment of bonds authorized by the measure,
22 or a net decrease in state revenues, which net increase or net
23 decrease exceeds twenty-five million dollars (\$25,000,000)
24 annually, as adjusted for inflation pursuant to the California
25 Consumer Price Index, as jointly determined by the Legislative
26 Analyst and the Director of Finance, may not be submitted to the
27 electors or have any effect unless and until the Legislative Analyst
28 and the Director of Finance jointly determine that the initiative
29 measure provides for additional revenues in an amount that meets
30 or exceeds the net increase in costs.

31 Third—That Section 9 of Article II thereof is amended to read:

32 SEC. 9. (a) The referendum is the power of the electors to
33 approve or reject statutes or parts of statutes except urgency
34 statutes, statutes calling elections, statutes enacting the budget bill,
35 and statutes providing for tax levies or appropriations for usual
36 current expenses of the State.

37 (b) (1) A referendum measure may be proposed by presenting
38 to the Secretary of State, within 90 days after the enactment date
39 of the statute, a petition certified to have been signed by electors
40 equal in number to 5 percent of the votes for all candidates for

1 Governor at the last gubernatorial election, asking that the statute
2 or part of it be submitted to the electors. In the case of a statute
3 enacted by a bill passed by the Legislature on or before the date
4 the Legislature adjourns for a joint recess to reconvene in the
5 second calendar year of the biennium of the legislative session,
6 and in the possession of the Governor after that date, the petition
7 may not be presented on or after January 1 next following the
8 enactment date unless a copy of the petition is submitted to the
9 Attorney General pursuant to subdivision (d) of Section 10 before
10 January 1.

11 (2) If a copy of a referendum petition is submitted to the
12 Attorney General pursuant to subdivision (d) of Section 10 as to
13 a statute enacting a budget implementation bill, other than such a
14 statute that is exempt from the power of referendum pursuant to
15 subdivision (a), which submittal occurs within 90 days following
16 that enactment but not later than the January 1 following the
17 enactment, the operation of the statute shall be immediately stayed.
18 The operation of such a statute enacted by a budget implementation
19 bill shall resume on the 91st day after enactment unless a
20 referendum petition as to the statute has been presented to the
21 Secretary of State in accordance with paragraph (1).

22 (e) The Secretary of State shall then submit the measure at the
23 next general election held at least 31 days after it qualifies or at a
24 special statewide election held prior to that general election. The
25 Governor may call a special statewide election for the measure.

26 Fourth—That Section 8 of Article IV thereof is amended to
27 read:

28 SEC. 8. (a) At regular sessions no bill other than the budget
29 bill may be heard or acted on by committee or either house until
30 the 31st day after the bill is introduced unless the house dispenses
31 with this requirement by rolleall vote entered in the journal,
32 three-fourths of the membership concurring.

33 (b) The Legislature may make no law except by statute and may
34 enact no statute except by bill. No bill may be passed unless it is
35 read by title on three days in each house except that the house may
36 dispense with this requirement by rolleall vote entered in the
37 journal, two-thirds of the membership concurring. No bill may be
38 passed until the bill with amendments has been printed and
39 distributed to the Members. No bill may be passed unless, by

1 rolleall vote entered in the journal, a majority of the membership
2 of each house concurs:

3 (e) (1) Except as provided in paragraphs (2) and (3), a statute
4 enacted at a regular session shall go into effect on January 1 next
5 following a 90-day period from the date of enactment of the statute
6 and a statute enacted at a special session shall go into effect on the
7 91st day after adjournment of the special session at which the bill
8 was passed:

9 (2) A statute, other than a statute establishing or changing
10 boundaries of any legislative, congressional, or other election
11 district, enacted by a bill passed by the Legislature on or before
12 the date the Legislature adjourns for a joint recess to reconvene in
13 the second calendar year of the biennium of the legislative session,
14 and in the possession of the Governor after that date, shall go into
15 effect on January 1 next following the enactment date of the statute
16 unless, before January 1, a copy of a referendum petition affecting
17 the statute is submitted to the Attorney General pursuant to
18 subdivision (d) of Section 10 of Article II, in which event the
19 statute shall go into effect on the 91st day after the enactment date
20 unless the petition has been presented to the Secretary of State
21 pursuant to subdivision (b) of Section 9 of Article II.

22 (3) Statutes calling elections, statutes providing for tax levies
23 or appropriations for the usual current expenses of the State,
24 urgency statutes, and statutes enacting a budget bill or a budget
25 implementation bill shall go into effect immediately upon their
26 enactment.

27 (d) Urgency statutes are those necessary for immediate
28 preservation of the public peace, health, or safety. A statement of
29 facts constituting the necessity shall be set forth in one section of
30 the bill. In each house the section and the bill shall be passed
31 separately, each by rolleall vote entered in the journal, two-thirds
32 of the membership concurring. An urgency statute may not create
33 or abolish any office or change the salary, term, or duties of any
34 office, or grant any franchise or special privilege, or create any
35 vested right or interest.

36 (e) (1) A statute that would result in either a net increase in
37 qualified state costs or a net decrease in state revenue in excess of
38 twenty-five million dollars (\$25,000,000) annually, as defined by
39 statute, as adjusted for inflation pursuant to the California
40 Consumer Price Index, is void unless the statute having that fiscal

1 effect also contains provisions that would result in state program
2 reductions or additional state revenue, or both, as defined by
3 statute, in an amount that is equal to or greater than the net increase
4 in qualified state costs or net decrease in state revenue.

5 (2) Paragraph (1) does not apply to the following:

6 (A) The budget act or a statute enacting a budget implementation
7 bill.

8 (B) An appropriation that is in satisfaction of the requirements
9 of Section 8 of Article XVI.

10 (C) An emergency declared by the Governor. As used in this
11 subparagraph, “emergency” means the existence, as declared by
12 the Governor, of conditions of disaster or of extreme peril to the
13 safety of persons and property within the State, or parts thereof,
14 caused by such conditions as attack or probable or imminent attack
15 by an enemy of the United States, fire, flood, drought, storm, civil
16 disorder, earthquake, or volcanic eruption.

17 Fifth—That Section 10 of Article IV thereof is amended to read:

18 SEC. 10. (a) Each bill passed by the Legislature shall be
19 presented to the Governor. It becomes a statute if it is signed by
20 the Governor. The Governor may veto it by returning it with any
21 objections to the house of origin, which shall enter the objections
22 in the journal and proceed to reconsider it. If each house then
23 passes the bill by rolleall vote entered in the journal, two-thirds of
24 the membership concurring, it becomes a statute.

25 (b) (1) Any bill, other than a bill which would establish or
26 change boundaries of any legislative, congressional, or other
27 election district, passed by the Legislature on or before the date
28 the Legislature adjourns for a joint recess to reconvene in the
29 second calendar year of the biennium of the legislative session,
30 and in the possession of the Governor after that date, that is not
31 returned within 30 days after that date becomes a statute.

32 (2) Any bill passed by the Legislature before September 1 of
33 the second calendar year of the biennium of the legislative session
34 and in the possession of the Governor on or after September 1 that
35 is not returned on or before September 30 of that year becomes a
36 statute.

37 (3) Any other bill presented to the Governor that is not returned
38 within 12 days becomes a statute.

39 (4) If the Legislature by adjournment of a special session
40 prevents the return of a bill with the veto message, the bill becomes

1 a statute unless the Governor vetoes the bill within 12 days after
2 it is presented by depositing it and the veto message in the office
3 of the Secretary of State.

4 (5) If the 12th day of the period within which the Governor is
5 required to perform an act pursuant to paragraph (3) or (4) is a
6 Saturday, Sunday, or holiday, the period is extended to the next
7 day that is not a Saturday, Sunday, or holiday.

8 (c) Any bill introduced during the first year of the biennium of
9 the legislative session that has not been passed by the house of
10 origin by January 31 of the second calendar year of the biennium
11 may no longer be acted on by the house. No bill may be passed
12 by either house on or after September 1 of an even-numbered year
13 except bills that would take effect immediately upon enactment
14 and bills passed after being vetoed by the Governor.

15 (d) The Legislature shall not present any bill to the Governor
16 after November 15 of the second calendar year of the biennium of
17 the legislative session.

18 (e) The Governor may reduce or eliminate one or more items
19 of appropriation while approving other portions of a bill. The
20 Governor shall append to the bill a statement of the items reduced
21 or eliminated with the reasons for the action. The Governor shall
22 transmit to the house originating the bill a copy of the statement
23 and reasons. Items reduced or eliminated shall be separately
24 reconsidered and may be passed over the Governor's veto in the
25 same manner as bills.

26 (f) (1) If, following the enactment of the budget bill for the
27 2004-05 fiscal year or any subsequent fiscal year, the Governor
28 determines that, for that fiscal year, General Fund revenues will
29 decline substantially below the estimate of General Fund revenues
30 upon which the budget bill for that fiscal year, as enacted, was
31 based, or General Fund expenditures will increase substantially
32 above that estimate of General Fund revenues, or both, the
33 Governor may issue a proclamation declaring a fiscal emergency
34 and shall thereupon cause the Legislature to assemble in special
35 session for this purpose. The proclamation shall identify the nature
36 of the fiscal emergency, including the amount of the budget
37 discrepancy, and shall be submitted by the Governor to the
38 Legislature, accompanied by proposed legislation to address the
39 fiscal emergency. When the Governor issues a proclamation

1 declaring a fiscal emergency, the Legislature shall pass and present
2 to the Governor a bill or bills to address the fiscal emergency.

3 (2) ~~If the Legislature fails to pass and send to the Governor a~~
4 ~~bill or bills to address the fiscal emergency by the 45th day~~
5 ~~following the issuance of the proclamation, the Legislature shall~~
6 ~~not act on any other bill, nor may the Legislature adjourn for a~~
7 ~~joint recess, until that bill or those bills have been passed and sent~~
8 ~~to the Governor.~~

9 (3) ~~A bill addressing the fiscal emergency declared pursuant to~~
10 ~~this section shall contain a statement to that effect. For purposes~~
11 ~~of this subdivision, a bill that contains the statement required by~~
12 ~~this paragraph shall thereby be deemed to address the fiscal~~
13 ~~emergency.~~

14 (4) ~~If the Legislature has not passed and sent to the Governor~~
15 ~~a bill or bills to address a fiscal emergency by the 45th day~~
16 ~~following the issuance of the proclamation, the Governor may, by~~
17 ~~executive order, reduce or eliminate any unexpended appropriation~~
18 ~~in the budget act for that fiscal year to the extent that the~~
19 ~~appropriation is not required by this Constitution or by federal~~
20 ~~law. The total amount of the reduction or elimination of~~
21 ~~appropriations shall not exceed the amount of the budgetary~~
22 ~~discrepancy identified by the Governor pursuant to paragraph (1).~~

23 (5) ~~If the Legislature is in session when the Governor issues an~~
24 ~~executive order pursuant to paragraph (4), it may, within 20 days~~
25 ~~following the date the order is issued, override all or part of the~~
26 ~~executive order by a resolution passed by rollcall vote entered in~~
27 ~~the journal, two-thirds of the membership of each house concurring.~~
28 ~~If the Legislature is not in session when the Governor issues the~~
29 ~~executive order, the Legislature may, within 30 days following~~
30 ~~the date the order is issued, reconvene and override all or part of~~
31 ~~the executive order by resolution in the manner described above.~~
32 ~~An executive order, or a part thereof, that is not overridden by the~~
33 ~~Legislature shall take effect the day after the period to override~~
34 ~~the executive order has expired.~~

35 Sixth—That Section 12 of Article IV thereof is amended to read:

36 SEC. 12. (a) (1) ~~Within the first 10 days of each calendar~~
37 ~~year, the Governor shall submit to the Legislature a budget for~~
38 ~~both the ensuing fiscal year, known as the budget year, and for the~~
39 ~~succeeding fiscal year. The budget shall contain itemized~~
40 ~~statements, provisional language, performance measurement~~

standards for state agencies and programs, recommended state expenditures, and a projection of anticipated state revenues, including revenues anticipated to be one-time revenue. The budget shall also contain an estimate of the total resources available for the state expenditures recommended for the budget year and the succeeding fiscal year. If, for the budget year and the succeeding fiscal year, recommended expenditures exceed estimated revenues, the Governor shall recommend reductions in expenditures or the sources from which the additional revenues should be provided, or both. Together with the budget, the Governor shall submit to the Legislature any legislation necessary to implement appropriations contained in the budget.

(2) If the Governor's budget proposes to create a new state program or agency, or to expand the scope of an existing state program or agency, as defined by statute, which would result in a net increase in state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax, which would result in a net decrease in state revenue in the budget year or the succeeding fiscal year, the proposal shall be accompanied by a statement identifying state program reductions or sources of additional state revenue, or both, in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenue.

(3) After submitting a budget for the budget year and the succeeding fiscal year, the Governor shall submit to the Legislature, no later than a date or dates specified by statute, updated projections of state revenue and state expenditures for each of those fiscal years

:

(b) The Governor and the Governor-elect may require a state agency, officer, or employee to furnish whatever information is deemed necessary to prepare the budget.

(c) (1) The budget shall be accompanied by a budget bill itemizing recommended expenditures for the budget year.

(2) The budget bill and any legislation necessary to implement appropriations contained in the budget bill shall be introduced immediately in each house by the persons chairing the committees that consider the budget.

(3) On or before May 1 of each year, after the appropriate committees of each house of the Legislature have considered the

1 budget bill and bills implementing the budget bill, each house of
2 the Legislature shall refer the budget bill and bills implementing
3 the budget bill to a joint committee of the Legislature. The joint
4 committee shall report its recommendations to each house no later
5 than June 20 of each year. This paragraph does not preclude the
6 referral of one or more of these bills to policy committees in
7 addition to the joint committee.

8 (4) ~~No later than June 25 of each year, the Legislature shall pass~~
9 ~~the budget bill and bills implementing the budget bill, and shall~~
10 ~~present these bills to the Governor. Notwithstanding any other~~
11 ~~provision of this Constitution, including Sections 4 and 8 of Article~~
12 ~~H and Section 4 and subdivision (c) of Section 12 of this article,~~
13 ~~in any year in which the budget bill is not passed by the Legislature~~
14 ~~and presented to the Governor by midnight on June 25, Members~~
15 ~~of the Legislature shall forfeit any salary or reimbursement for~~
16 ~~travel or living expenses during any regular or special session for~~
17 ~~the period from midnight on June 25 until the day that the budget~~
18 ~~bill is passed and presented to the Governor. No salary or~~
19 ~~reimbursement for travel or living expenses forfeited pursuant to~~
20 ~~this paragraph shall be paid retroactively.~~

21 (5) ~~Until the budget bill has been enacted, the Legislature shall~~
22 ~~not send to the Governor for consideration any bill appropriating~~
23 ~~funds for expenditure during the budget year, except emergency~~
24 ~~bills recommended by the Governor or appropriations for the~~
25 ~~salaries and expenses of the Legislature.~~

26 (d) ~~No bill except a budget bill may contain more than one item~~
27 ~~of appropriation, and that for one certain, expressed purpose.~~
28 ~~Appropriations from the General Fund of the State, except~~
29 ~~appropriations for the public schools or appropriations made in a~~
30 ~~budget bill, are void unless passed in each house by rollcall vote~~
31 ~~entered in the journal, two-thirds of the membership concurring.~~

32 (e) ~~The Legislature may control the submission, approval, and~~
33 ~~enforcement of budgets and the filing of claims for all state~~
34 ~~agencies.~~

35 (f) ~~For the 2004-05 fiscal year, or any subsequent fiscal year,~~
36 ~~the Legislature shall not send to the Governor for consideration,~~
37 ~~nor shall the Governor sign into law, a budget bill that would~~
38 ~~appropriate from the General Fund, for that fiscal year, a total~~
39 ~~amount that, when combined with all appropriations from the~~
40 ~~General Fund for that fiscal year made as of the date of the budget~~

1 bill's passage, and the amount of any General Fund moneys
2 transferred to the Budget Stabilization Account for that fiscal year
3 pursuant to Section 20 of Article XVI, exceeds General Fund
4 revenues for that fiscal year estimated as of the date of the budget
5 bill's passage. That estimate of General Fund revenues shall be
6 set forth in the budget bill passed by the Legislature.

7 (g) The Legislature shall establish an oversight process for
8 evaluating and improving the performance of all programs
9 undertaken by the State, or by local entities on behalf of the State,
10 based on performance standards established pursuant to statute.
11 Within one year of the operative date of the measure adding this
12 subdivision, the Legislature shall establish a schedule of review
13 for all state programs, whether managed by a state or local agency.
14 The review schedule shall be designed so that the relationship
15 between similar state programs may be examined. The review
16 process shall result in recommendations in the form of legislation
17 that improves or terminates programs. Each state program shall
18 be reviewed at least once every 10 years.

19 (h) For purposes of this section and Section 8:

20 (1) A "budget bill" is a bill that makes appropriations for the
21 support of the government of the State for an entire fiscal year,
22 including a bill that contains only provisions amending or
23 augmenting an enacted bill that made appropriations for the support
24 of the government of the State for an entire fiscal year.

25 (2) (A) A "budget implementation bill" is a bill enacted by a
26 statute that is identified in the budget bill as containing only
27 changes in law necessary to implement a specific provision of the
28 budget bill.

29 (B) A budget implementation bill shall not create or abolish any
30 office or change the salary, term, or duties of any office, or grant
31 any franchise or special privilege, or create any vested right or
32 interest.

33 Seventh—That Section 3 of Article XIII A thereof is amended
34 to read:

35 Section 3. From and after the effective date of this article, any
36 changes in state taxes enacted for the purpose of increasing
37 revenues collected pursuant thereto whether by increased rates or
38 changes in methods of computation, or imposition of a new tax,
39 must be imposed by an act passed by not less than two-thirds of
40 all Members elected to each of the two houses of the Legislature,

1 except that no new ad valorem taxes on real property, or sales or
2 transaction taxes on the sales of real property may be imposed. In
3 addition, any bill that imposes a fee shall be passed by not less
4 than two-thirds of all Members elected to each of the two houses
5 of the Legislature if revenue from the fee would be used to fund
6 a specific program, service, or activity that was previously funded
7 by revenue from a tax that is repealed or reduced in the same fiscal
8 year or in the immediately preceding fiscal year.

9 Eighth—That Section 21 is added to Article XVI thereof, to
10 read:

11 SEC. 21. (a) On or before May 31 of each year the Director
12 of Finance shall do all of the following:

13 (1) Estimate General Fund revenues for the current fiscal year
14 and report that estimate to the Legislature and to the Governor.

15 (2) Estimate the current-year General Fund revenue impact of
16 tax legislation adopted subsequent to the enactment of the budget
17 bill and not included in the estimate required pursuant to
18 subdivision (f) of Section 12 of Article IV. The director shall report
19 that estimate to the Legislature and to the Governor.

20 (3) Estimate the amount of the General Fund reserve for
21 economic uncertainty as of June 30 of the current fiscal year and
22 report that estimate to the Legislature and to the Governor. If the
23 amount of the reserve for economic uncertainty is a negative
24 number, an amount of any unanticipated revenues equal to that
25 negative amount shall remain in the General Fund and shall not
26 be expended pursuant to subdivision (c):

27 (b) “Unanticipated revenues” are the lesser of the following
28 amounts:

29 (1) The estimate of General Fund revenues reported pursuant
30 to paragraph (1) of subdivision (a) minus the estimate of General
31 Fund revenues for the current fiscal year set forth in the budget
32 bill pursuant to subdivision (f) of Section 12 of Article IV, which
33 result shall be augmented by the amount estimated pursuant to
34 paragraph (2) of subdivision (a):

35 (2) The amount reported pursuant to paragraph (3) of subdivision
36 (a):

37 (c) Unanticipated revenues may be used only as follows, in the
38 order specified:

1 ~~(1) First, unanticipated revenues shall be appropriated to satisfy~~
2 ~~any additional obligation created by Section 8 resulting from the~~
3 ~~unanticipated revenues.~~

4 ~~(2) Second, any remaining unanticipated revenues shall be~~
5 ~~transferred to the Budget Stabilization Account in an amount~~
6 ~~sufficient to fully fund the applicable maximum amount set forth~~
7 ~~in subdivision (c) of Section 20.~~

8 ~~(3) Third, any remaining unanticipated revenues shall be~~
9 ~~appropriated to retire outstanding budgetary indebtedness. For~~
10 ~~purposes of this paragraph, “budgetary indebtedness” means any~~
11 ~~of the following:~~

12 ~~(A) Unfunded prior fiscal year General Fund obligations~~
13 ~~pursuant to Section 8.~~

14 ~~(B) Any repayment obligation created by the suspension of~~
15 ~~subparagraph (A) of paragraph (1) of subdivision (a) of Section~~
16 ~~25.5 of Article XIII.~~

17 ~~(C) Any repayment obligation created by the suspension of~~
18 ~~subdivision (a) of Section 1 of Article XIX B.~~

19 ~~(D) Unfunded obligations for reimbursements required by~~
20 ~~Section 6 of Article XIII B.~~

21 ~~(E) Repayment of bonded indebtedness authorized pursuant to~~
22 ~~Section 1.3.~~

23 ~~(4) Fourth, any remaining unanticipated revenues shall be used~~
24 ~~for any of the following one-time purposes:~~

25 ~~(A) Returned to taxpayers within the current or immediately~~
26 ~~following fiscal year by a one-time revision of tax rates or fee~~
27 ~~schedules.~~

28 ~~(B) Appropriated for one-time infrastructure or other capital~~
29 ~~outlay purposes.~~

30 ~~(C) Appropriated to retire outstanding general obligation~~
31 ~~indebtedness.~~

32 ~~Ninth—That Section 3.5 is added to Article XVIII thereof, to~~
33 ~~read:~~

34 ~~SEC. 3.5. A constitutional amendment or revision proposed~~
35 ~~by the Legislature that would create a new state program or agency,~~
36 ~~or expand the scope of an existing state program or agency, as~~
37 ~~defined by statute, which would result in either a net increase in~~
38 ~~state costs or a net decrease in state revenue in excess of~~
39 ~~twenty-five million dollars (\$25,000,000) annually, as defined by~~
40 ~~statute and adjusted for inflation pursuant to the California~~

1 ~~Consumer Price Index, shall not be submitted to the electors or~~
2 ~~have any effect unless the constitutional amendment or revision~~
3 ~~also contains provisions that would result in additional revenue in~~
4 ~~an amount that is equal to or greater than the net increase in state~~
5 ~~costs or net decrease in state revenue.~~

6 ~~Tenth—That the amendments to the California Constitution~~
7 ~~made by this measure shall become operative on January 1, 2011.~~

8 ~~Eleventh—That if any of the provisions of this measure or the~~
9 ~~applicability of any provision of this measure to any person or~~
10 ~~circumstance is found to be unconstitutional or otherwise invalid,~~
11 ~~the finding shall not affect the remaining provisions or applications~~
12 ~~of this measure to other persons or circumstances, and to that extent~~
13 ~~the provisions of this measure are deemed to be severable.~~